

Washington, DC - Congressman Maurice Hinchey (D-NY) today hailed the formal announcement that a provision he wrote with Congressman Ed Markey (D-MA) to close a loophole that has allowed energy companies to avoid paying royalties to the federal government for oil and gas taken from publicly-owned coastal waters will be included in the first 100 hours energy bill that House Democrats' will bring to the floor next week. The Hinchey-Markey first 100 hours royalty provision, combined with repealing other oil and gas tax subsidies, is expected to net the federal government \$13 billion, which would be designated for clean, renewable, alternative energy investments that will help lessen the reliance on greenhouse gas producing fossil fuels.

"Energy companies may have been able to get away with ripping off the American public with their royalty-free leases while Republicans were in control, but those days have come to an end with Democrats running the show. We will not allow Congress to continue lining the pockets of energy company executives at the expense of the American people," Hinchey said. "This bill is common sense. When energy companies take oil and gas from public property they should have to pay the American people for taking their resources. Right now, energy companies are enjoying record profits thanks in part to these royalty-free leases. With our measure, energy companies will either have to start paying those royalties or the federal government will tell them to go fly a kite when they come asking for future leases."

The first 100 hours royalty measure is a modified version of a provision that Hinchey, who is a member of the House Interior Appropriations Subcommittee, Markey, and several of their colleagues successfully offered in the House in May 2006 to the Interior Appropriations bill for Fiscal Year 2007. Under the 100 hours royalty provision, energy companies who currently hold royalty-free leases will either have to choose to renegotiate those leases to include royalty payments (based on the Hinchey-Markey provision) or they could opt to pay a \$9 per barrel conservation fee on oil and \$1.25 per million Btu for gas on resources extracted under those leases. The energy companies could refuse to renegotiate their existing leases and refuse to pay a conservation fee, but doing so would make them ineligible for future leases with the federal government.

"Not only are we finally going to start collecting royalty payments from energy companies, but we are going to use those royalty payments to invest in clean, alternative, renewable energy that will lead this country towards the more secure and prosperous era that energy independence will bring us," Hinchey said.

The Government Accountability Office (GAO) reported that the Interior Department itself estimates that the current royalty loophole provided to oil and gas companies will end up costing the federal government as much as \$60 billion in lost payments.

The Deepwater Royalty Relief Act of 1995, which Hinchey opposed, gave the Interior Department the ability to exempt the energy industry from paying royalties under the pretense that such a policy was needed to spur deepwater exploration when prices of oil and gas were low. That measure allowed the Interior Department to decide whether or not to put price thresholds into the leases that would trigger royalty payments to the federal government once oil and gas prices climbed to a certain level. However, due to a clerical error, the Interior Department left out price thresholds on contracts signed in 1998 and 1999, allowing oil and gas companies to extract resources from public property without paying royalties, regardless of the price of oil or gas. A handful of those roughly 1,000 royalty-free leases are starting to produce oil and gas now. These leases are expected to produce oil and gas that would net the federal government almost \$10 billion from oil and gas companies, but the American taxpayers don't receive royalty payments under current law. To make matters worse, Republicans extended the Deepwater Royalty Relief Act as part of the energy bill they passed in 2005 when they controlled Congress.